

Representative Theodore E. Deutch

**Testimony before the
Subcommittees on Health and Oversight and Investigations Hearing on
“CLASS Cancelled: An Unsustainable Program and Its Consequences for the Nation’s
Deficit.”**

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Mr. Chairman, I am thankful for the opportunity to discuss the Community Living Assistance Services and Supports Act, commonly referred to as the CLASS Act, and the critical issue of long-term care in America. I would also like to thank Mr. Dingell and Mr. Pallone for their commitment to carrying forward the late Senator Edward Kennedy’s dream of ensuring dignity and hope for elderly, severely ill, and disabled Americans through affordable access to long-term care.

Senator Kennedy eloquently captured how our long-term care system is failing the American people when he said, “too often, they have to give up the American Dream – the dignity of a job, a home, and a family – so they can qualify for Medicaid, the only program that will support them.”

The reason that CLASS has brought hope to so many Americans is the undeniable fact that for most families, long-term care insurance is out of reach. For the first time, CLASS provided our nation with a framework for helping families, disabled Americans, and seniors afford long-term care insurance and in doing so, improve their financial security.

CLASS was included within the Affordable Care Act with the stipulation it could be implemented in a fiscally sustainable way. The Obama Administration's difficulty in meeting this requirement is the reason we find ourselves here today.

Before I go any further, I want to emphasize that, in spite of recent statements to the contrary, the CLASS Actuary Report has outlined ways that this program can be made sustainable with existing statutory authority. It even details various paths to fiscal sustainability, such as phased enrollment, temporary period exclusion, and various underwriting options. These alternatives demand a serious look because the outlook for the private long-term care insurance market is grim.

Only 10% of Americans over the age of 50 carry long-term care insurance. Yet we all know that more than 10% of Americans over the age of 50 will at some point need long-term care. While Medicare pays for home health services under limited circumstances, for the remaining 90% of Americans, Medicaid is the only option for comprehensive long-term care. The fact Medicaid is on the chopping block in many states and in Washington only underscores our urgent need to provide Americans with a more cost-effective, affordable option for financing long-term care. Over a third of Medicaid's dollars go towards expensive long-term care, and using Medicaid, a state and federally funded entitlement, to pay for long-term care for the majority of Americans is unsustainable. We can save a substantial amount of money by shifting long-term care costs from Medicaid to a premium-funded, social insurance program.

This model will also yield substantial savings by shifting patients from costly, institutionalized care to less costly, and far more popular, community-based care. It is no wonder that the CLASS Act is supported by over 75% of Americans, who want the ability to secure community-based and home-based care.

We cannot afford to endorse the status quo. Currently, Medicaid forces elderly Americans and in many cases, their spouses, to blow through their life savings and “spend down” in order to qualify for long-term care paid for by Medicaid. Incentivizing poverty is not a viable long-term care strategy. This perverse incentive puts families already struggling with enormous challenges into unthinkable positions.

Take as an example the husband of a couple in their late fifties who is suffering from early onset Alzheimers. He is in need of long-term care but is ineligible for Medicaid because of his wife’s salary as a public school teacher. At \$50,000 a year, her salary is far too high for Medicaid, but nearly enough to pay for nursing home care in Florida that costs each year on average between \$75,000 and \$90,000. Every year, couples like this one are faced with impossible choices. She could leave her current job so they can fall into poverty, or divorce her sick husband so he becomes destitute but finally eligible for long-term care through Medicaid.

This system of forcing seniors into poverty so they can be cared for properly also defeats the entire purpose of Social Security, a program designed to lift seniors out of poverty. America has thrived through social insurance programs that provide benefits but incentivize personal responsibility and work.

Under the current system, long-term care incentives for seniors are as follows:

Save nothing, pass what savings you do have onto your children years in advance of serious illness, own little property, and do not purchase long-term insurance. Follow this plan, and you will be eligible for the most costly form of long-term care available, paid for by Medicaid.

Unlike Medicaid, CLASS would not be an entitlement. To the contrary, it is a voluntary, premium financed and affordable option for families that is required by statute to achieve sustainability in administration. For anyone to assert that the CLASS Act would be a new entitlement is irresponsible and misleading. I have to wonder if my colleagues would be more open to fixing CLASS had it not passed as part of the Affordable Care Act.

Triumphant statements from opponents of the Affordable Care Act at the announcement HHS would suspend implementation of CLASS does nothing for the seniors in my district who must make the choice between helping a grandchild finance a college education or paying their own tuition instead at a nursing home. Cheering the suspension of CLASS does nothing for the working families in my district who are already under the enormous stress that comes when a parent falls seriously ill and who have no way of paying for the around-the-clock care their loved one needs. Missing from these press releases are the faces of elderly and disabled constituents of mine who have been failed by the current system.

Florida is home to some of the best skilled nursing facilities. But often when I visit them, I am pained to hear my constituents tell me they would so much rather be home in retirement

communities of Century Village, Kings Point or Wynmoor. Sadly, they often have no choice because Medicaid is strongly biased towards institutional nursing home care when patients and their families so strongly prefer less costly in-home care.

Like countless Americans who need long-term care, these constituents of mine would prefer the care options of CLASS and the dignity of retaining choices rather than the mandate to spend down to poverty required to be eligible for institutionalized nursing home care paid for by Medicaid.

Suspending implementation of CLASS means millions of elderly and disabled will lose community-based long-term care insurance.

I have heard from seniors who are on the verge of foreclosure as a result of the nursing home costs of their spouses. I have heard from young families desperate for a way to afford the dignity of quality care for elderly loved ones in their final years. My colleagues, these stories prove that the failure to move forward with CLASS is nothing to cheer about. As I mentioned earlier, private long-term care insurance is unaffordable and out of reach for too many and this problem is not going away.

Mr. Chairman, everyone grows older, and no one is immune from the frailty of old age. After all, 7 out of 10 Americans need long-term care at some point after turning 65. Likewise, anyone can become ill. Anyone can become disabled.

Take for example the case of Floridian Alan Brown, who on January 2nd, 1988, at the age of twenty, was hit by a strong wave at the beach that caused a catastrophic spinal cord injury that leaves him as a quadriplegic to this very day. Mr. Brown has an endless list of expenses – from his wheelchair and medication, to disability accessible transportation, and long term nursing care. Even while holding two jobs, he struggles to support his family in the face of rising health care costs.

As lawmakers it is our responsibility to remember that those who are young and healthy may not always remain so, and act on the fact that long term health care is out of reach for a majority of Americans. Any one of us could experience an unpredictable accident like Mr. Brown did. And if that is not compelling enough, the inevitability of aging should be.

Critics of CLASS primarily focus on fiscal sustainability. If that is truly a concern, let's fix it.

Both critics and supporters of the CLASS Act feared that as drafted, adverse selection threatened the program's fiscal outlook. While we are all susceptible to disability and old age, it is often only those who immediately need long-term care who seek a plan to pay for it. How to pay for long-term care is rarely a priority for the young and healthy, but a functional insurance market requires incentives for everyone to participate.

This is why HHS was given latitude in implementation. I join the CLASS Actuary and CLASS advocates in believing that the Secretary has enough authority to make the program work. Others disagree and imply that a legislative fix is needed. So let's fix it.

Supporters of CLASS are not looking for an unearned entitlement. The promise of CLASS is everyone in America could have long-term care insurance, and it would be financed by workers' premiums. As wage insurance, Social Security has succeeded at reducing elder poverty from 50% to 10%, and we achieved near universal coverage with no adverse selection. The universal risk of falling into destitution during one's golden years demanded a universal risk pool.

For the 200,000 seniors I represent, the recent announcement and the predictable political reaction was disheartening. Mr. Chairman, my constituents deserve more. This program could provide a lifeline to millions of elderly and disabled Americans, and if it is not going to move forward, we need to find an alternative. My constituents – our constituents – expect and deserve that we treat these challenges an opportunity to get long-term care right in America.

I urge my colleagues to work to improve upon an incredibly promising idea that can reduce entitlement spending and provide the American people with greater financial security.